

# Audit Results at the Office of Retirement Services

**Kerrie Vanden Bosch, Director**  
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**MICHIGAN OFFICE OF  
RETIREMENT SERVICES**  
May Plans, Social Security

## Oversight of ORS

### **Financial Audits**

- Completed annually for each retirement system
- Comprehensive Annual Financial Reports (CAFRs)
- Governmental Accounting Standards Board (GASB)

### **Performance Audits**

- As requested by the Office of the Auditor General (OAG)

### **Best Practices (in addition to required OAG audits)**

- Internal Control Evaluation (ICE)
- Actuarial Peer Review



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## Awards

### Financial Reporting Awards

Over the past 20 years, ORS has been awarded for excellence in financial reporting and pension administration:

- Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
  - Received annually since 1989 for preparing financial reports that evidence the spirit of transparency and full disclosure.
- Public Pension Standards Award for Funding and Administration.
  - Received annually since 2004 for meeting industry standards on pension administration and funding.



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## Audit Results

### ORS 2016 Financial Statement Audit Results

Audit Description	Findings
401(k) Plan	None
457 Plan	None
Public School Employees' CAFR	None
State Police CAFR	None
Judges' CAFR	None
Military CAFR	1 Finding – not material (verification of age and service data)
State Employees' CAFR	1 Finding – not material (SERS inactive DC Population Discrepancy)



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## Recent Audit Finding

The 2016 OAG Financial Statement Audit found that there was a population of inactive State Employees' Retirement System (SERS) Defined Contribution (DC) participants who may be entitled to a retiree insurance premium subsidy who were not included in the Fiscal Year 2015 actuarial valuation.



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## Recent Audit Finding

### Employment Status Codes

- All employees (active, inactive and deceased) are classified in 1 of 25 different codes by HR.
- People who are inactive and vested for the healthcare benefit are reported under 7 of these codes.
- The actuarial file included some of these codes but not all, so some of these people were not included in the calculation of the liability.



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## Recent Audit Finding

### Additional Liability

Additional liability associated with these inactive participants:

- As calculated by the OAG: **\$143 million.**
- As calculated by the actuary: **\$85-90 million.**
  - Represents a 0.85% increase in the total liability and a 1% increase in the annual contribution reported in the valuation.
  - Takes into account the specific benefit to which they would be entitled (30-80% subsidy).
  - Takes into account the actual demographic characteristics of the population.



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## Finding Resolution

### ORS has resolved the audit finding

- ORS modified the query used to provide the inactive member counts to the actuary. It is now consistent with the OAG's definition of inactive member and will be going forward.
- The 2016 Actuarial Valuation will reflect the change.
- We anticipate that this finding will not reoccur in the future.



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